



OFFICE OF RACIAL EQUITY AND SOCIAL JUSTICE

Marc Elrich
County Executive

Tiffany Ward
Director and Chief Equity Officer

MEMORANDUM

April 27, 2023

To: Jennifer Bryant, Director
Office of Management and Budget

From: Tiffany Ward, Director
Office of Racial Equity and Social Justice 

Re: Racial Equity Impact Assessment (REIA) Supplemental Appropriation (SA) #23-95 –
FY23 Operating Budget Non-Departmental Accounts (NDA) Working Families
Income Supplement (WFIS)

- I. **FINDING:** The Office of Racial Equity and Social Justice (ORESJ) finds that Supplemental Appropriation #23-95 – *FY23 Operating Budget Non-Departmental Accounts (NDA) Working Families Income Supplement (WFIS)* – aligns with the County’s overall objective of reducing and eliminating racial disparities and inequities as research demonstrates a clear correlation between Working Family Tax Credits (such as WFIS) and their ability to push back against racial income disparities. Specifically, tax credits such as WFIS will be especially beneficial to single mothers who identify as Black, Indigenous, or People of Color (BIPOC) as well as individuals and families who file their taxes with an Individual Taxpayer Identification Number (ITIN)¹—persons not eligible for a Social Security Number (SSN).
- II. **BACKGROUND:** The primary objective of Supplemental Appropriation #23-95 – *FY23 Operating Budget NDA WFIS* – is to fund the expanded tax supplement through the end of FY23. The NDA provides funds to supplement the State's Refundable Earned Income Tax Credit (EITC), with WFIS² providing financial assistance to low-income working families

¹ For more information regarding ITINs, please visit the IRS at: [https://www.irs.gov/individuals/individual-taxpayer-identification-number#:~:text=The%20IRS%20issues%20ITINs%20to,Social%20Security%20Administration%20\(SSA\).](https://www.irs.gov/individuals/individual-taxpayer-identification-number#:~:text=The%20IRS%20issues%20ITINs%20to,Social%20Security%20Administration%20(SSA).)

² Montgomery County MD Operating Budget. *Non-Departmental Accounts – Working Families Income Supplement*. 2023. Available at:

<https://apps.montgomerycountymd.gov/basisoperating/Common/Program.aspx?ID=99D&PROGID=P99P28>

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in Montgomery County. Eligible county residents who file a Maryland Tax return receive a 100% match of the state EITC.³ The County, through the NDA, then reimburses the State for the cost of the refund and related administrative expenses.⁴ Due to a higher than anticipated number of recipients who qualified for WFIS, there is currently not enough funding to cover the full costs of the tax supplement through the end of the current fiscal year. As such, an additional \$4,473,902 is needed to fully fund the NDA.

Working Family Tax Credits such as the EITC and WFIS both encourage and reward work for low- and moderate-income working people in part by offsetting payroll and income taxes that ultimately boost their wages.⁵ For eligible low-income County residents, WFIS serves as a vital economic support – providing economic stability for recipients throughout the year as it is delivered several months after receipt of federal and state tax refunds.⁶ Additionally, ITIN taxpayers (which includes undocumented immigrants and their dependents as well as some individuals who are lawfully present in the United States with employment visas⁷) may also be eligible for both the Maryland EITC and the WFIS.⁸ Given the proven benefits of tax credits such as WFIS to low-income working families – particularly single mothers of color and their children – ORESJ recommends funding the NDA to meet the needs of its recipients.

III. **ANALYSIS:** Throughout the history of the United States, strategic disinvestments in Black communities coupled with targeted investments in White communities have resulted in stark disparities in wealth accumulation and the benefits it provides. Specifically, centuries of institutional and systemic racism have resulted in disparities in income, health, education, and opportunity that continue to persist today.⁹ The onset of the COVID-19 pandemic not only shed light on such disparities, but in many cases exacerbated them. As a result, the pandemic and resulting economic downturn that ensued had the most severe impacts on people with the lowest incomes—with women, immigrants, and those who

³ Montgomery County Government. *Earned Income and Other Tax Credits*. 2023. Available at:

https://www.montgomerycountymd.gov/Cashback/tax_credits.html

⁴ Montgomery County MD Operating Budget. *Non-Departmental Accounts – Working Families Income Supplement*. 2023. Available at:

<https://apps.montgomerycountymd.gov/basisoperating/Common/Program.aspx?ID=99D&PROGID=P99P28>

⁵ Center on Budget and Policy Priorities. *Policy Basics: The Earned Income Tax Credit*. 2019. Available at:

<https://www.cbpp.org/research/federal-tax/the-earned-income-tax-credit>

⁶ Cash Campaign of Maryland, MDCEP, & Community Action Partnership. *Updates to the Working Families Income Supplement*. 2021. Available at:

<https://www.montgomerycountymd.gov/Cashback/Resources/Files/WFIS%20Fact%20Sheet%202021.pdf>

⁷ National Immigration Law Center. *Individual Taxpayer Identification Number (ITIN): A Powerful Tool for Immigrant Taxpayers*. 2022. Available at: <https://www.nilc.org/issues/taxes/itinfaq/>

⁸ Montgomery County Government. *Earned Income and Other Tax Credits*. 2023. Available at:

https://www.montgomerycountymd.gov/Cashback/tax_credits.html

⁹ Mineo, L. *Racial wealth gap may be a key to other inequities: A look at how and why we got there and what we can do about it*. 2021. Available at: <https://news.harvard.edu/gazette/story/2021/06/racial-wealth-gap-may-be-a-key-to-other-inequities/>

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identify as BIPOC being overrepresented in the low wage workforce.¹⁰ As a result, these groups are disproportionately likely to be paid wages insufficient for their basic needs.¹¹ Again, this is due largely in part to both the legacy of severe discrimination and continued structural barriers to opportunity that makes it more likely for BIPOC workers to be employed in low-paid occupations, work part-time or part-year instead of full-time and year-round, and have lower wages within a given occupation when compared to their White peers.¹²

The ramifications of low wages result in making it difficult for families to make ends meet, with necessities such as safe and affordable housing, access to nutritious food, reliable transportation, high-quality child care, and educational opportunities that lend themselves to increased earnings,¹³ being out of reach for most. Essentially, these low wages and the income instability they cause keep low income BIPOC families – particularly those headed by a single female householder – in a perpetual state of poverty that is difficult to traverse. Working Family Tax Credits have the ability to lift these families in particular over the current poverty line.

Working Family Tax Credits such as WFIS and the EITC reduce poverty both by increasing incomes for those eligible to receive the credits and increasing participation in the workforce. The amount of EITC an eligible tax filer receives is contingent on several factors such as a recipient's income, marital status, and number of children.¹⁴ Workers receive the credit beginning with their first dollar of earned income with the amount of the credit rising until it reaches a maximum level – upon which it then begins to phase out at higher income levels.¹⁵ Because the EITC (like WFIS) is refundable, the excess balance of a low-wage worker's income tax liability is then refunded by the IRS.¹⁶

When examining data on the gender and racial earnings gaps for all women, Black and Latina women's median annual earnings are substantially below those of White and Asian women, as well as those of men in all of the largest racial and ethnic groups with median earnings for a year of full-time work—with the wages of Latina women caring for at least

¹⁰ Waxman, S., & Hinh, I. *States Can Enact or Expand Child Tax Credits and Earned Income Tax Credits to Build Equitable, Inclusive Communities and Economies*. 2023. Available at: <https://www.cbpp.org/research/state-budget-and-tax/states-can-enact-or-expand-child-tax-credits-and-earned-income-tax>

¹¹ Ibid.

¹² Marr, C., & Huang, Y. *Women of Color Especially Benefit From Working Family Tax Credits*. 2019. Available at: <https://www.cbpp.org/research/federal-tax/women-of-color-especially-benefit-from-working-family-tax-credits>

¹³ Waxman, S., & Hinh, I. *States Can Enact or Expand Child Tax Credits and Earned Income Tax Credits to Build Equitable, Inclusive Communities and Economies*. 2023. Available at: <https://www.cbpp.org/research/state-budget-and-tax/states-can-enact-or-expand-child-tax-credits-and-earned-income-tax>

¹⁴ Center on Budget and Policy Priorities. *Policy Basics: The Earned Income Tax Credit*. 2019. Available at: <https://www.cbpp.org/research/federal-tax/the-earned-income-tax-credit>

¹⁵ Ibid.

¹⁶ Ibid.

two children being near poverty levels.¹⁷ Disproportional representation in low wage work means that low income, single BIPOC mothers stand to benefit the most from Working Family Tax Credits. The table below, from the Center on Budget and Policy Priorities 2019 report [Women of Color Especially Benefit From Working Family Tax Credits](https://www.cbpp.org/research/federal-tax/women-of-color-especially-benefit-from-working-family-tax-credits), demonstrates how the EITC in particular is especially beneficial to Black and Latina women.

TABLE 1

Women (Filers and Spouses) Benefiting From EITC

| | Women Benefiting from the EITC | Average EITC Benefit | Share of Women in Racial and Ethnic Group Receiving the EITC |
|--|--------------------------------|----------------------|--|
| White, non-Latina | 7,380,000 | \$1,600 | 9% |
| Latina | 4,040,000 | \$2,100 | 21% |
| Black, non-Latina | 3,260,000 | \$2,200 | 21% |
| Asian and Pacific Islander, non-Latina | 970,000 | \$1,400 | 12% |
| Native Americans, non-Latina | 220,000 | \$2,300 | 23% |
| Other, non-Latina | 270,000 | \$2,100 | 17% |
| Total | 16,140,000 | \$1,900 | 13% |

Source: CBPP estimates based on March 2018 Current Population Survey data.

As the table above shows, these tax credits are especially beneficial to BIPOC women, with the EITC boosting the incomes of 9 million women of color in 2019.¹⁸ The influx of money Working Family Tax Credits provides not only enable recipients to pay down debts and afford other necessities such as housing costs, child care expenses, and groceries (whose costs are all on the rise due to the lingering effects of the pandemic and historic inflation), it also affords these households with an opportunity to save and build assets, while even

¹⁷ IWPR. *Gender and Racial Wage Gaps Persist as the Economy Recovers: Annual Gender Wage Gap by Race and Ethnicity 2022*. 2022. Available at: <https://iwpr.org/wp-content/uploads/2022/10/Annual-Gender-Wage-Gap-by-Race-and-Ethnicity-2022.pdf>

¹⁸ Marr, C., & Huang, Y. *Women of Color Especially Benefit From Working Family Tax Credits*. 2019. Available at: <https://www.cbpp.org/research/federal-tax/women-of-color-especially-benefit-from-working-family-tax-credits>

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financing a “treat” for themselves and their families.¹⁹ In particular, income tax refunds can provide an important pathway for households with low incomes to save and build assets, with studies showing the EITC’s ability to improve financial stability by increasing the likelihood that single mothers with some college will save, and single mothers with a high school diploma or less being less likely to hold unsecured debt such as payday loans, in part because they are working more in response to the EITC.²⁰ While addressing racial and gender disparities and inequities related to income and wealth are not the stated purposes of Working Family Tax Credits, research demonstrates that they undeniably stand to benefit BIPOC working women and their children. In the case of WFIS in particular, ITIN tax filers (immigrant filers) stand to benefit greatly as well.

Through the use of their ITIN, undocumented immigrants, like all working United States citizens and residents, are required to pay taxes, however they have not always enjoyed the benefits of such taxation. Each year, undocumented immigrants add billions of dollars in sales, excise, property, income and payroll taxes, including Social Security, Medicare and unemployment taxes, to federal, state and local coffers, yet they are barred from almost all government benefits, including the Supplemental Nutrition Assistance Program (SNAP), Temporary Assistance for Needy Families (TANF), Medicaid, federal housing programs, Supplemental Security Income (SSI), Unemployment Insurance, Social Security, Medicare, and the EITC.²¹ Moreover, the climate of fear today in immigrant communities, exacerbated by Administration actions, has made many immigrants wary of claiming public benefits for which they or their children qualify; fears that also sow doubts regarding whether filing a tax return is wise.²² Because WFIS allows these filers to claim their benefit so long as they file their Maryland State taxes, this NDA is uniquely equipped to serve these households by ensuring they receive the benefits they’re entitled to. As a result, ORESJ strongly urges Montgomery County to fully fund this supplemental request and to continue doing so in the future as it aligns with the County’s objective of reducing and eliminating racial disparities and inequities.

cc: Michael Coveyou, Director, Department of Finance
Ken Hartman, Director, Strategic Partnership, Office of the County Executive

¹⁹ Maag, E., Congdon, W., & Yau, E. *The Earned Income Tax Credit: Program Outcomes, Payment Timing, and Next Steps for Research*. 2021. Available at: <https://www.urban.org/sites/default/files/publication/103722/the-earned-income-tax-credit-program-outcomes-payment-timing-and-next-steps-for-research.pdf>

²⁰ Ibid.

²¹ Lipman, F. *Taxing Undocumented Immigrants: Separate, Unequal and Without Representation*. 2006. Available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=881584

²² Huang, C., & Taylor, R. *How the Federal Tax Code Can Better Advance Racial Equity: 2017 Tax Law Took Step Backward*. 2019. Available at: <https://www.cbpp.org/research/federal-tax/how-the-federal-tax-code-can-better-advance-racial-equity>